

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Sebewaing	County Huron
Fiscal Year End 3/31/07	Opinion Date 9/4/07	Date Audit Report Submitted to State 9/28/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

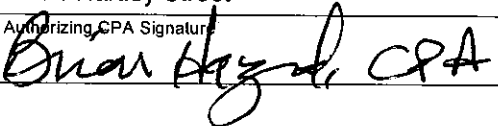
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None prepared	
Other (Describe) Yellow Book Report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.		Telephone Number 989-453-3122	
Street Address 7274 Hartley Street		City Pigeon	State MI
Zip 48755			
Authorizing CPA Signature 	Printed Name Brian Hazard, CPA	License Number 1101014007	

**VILLAGE OF SEBEWAING  
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2007**

# **VILLAGE OF SEBEWAING, MICHIGAN**

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## REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council  
Village of Sebewaing  
Sebewaing, Michigan 48759

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sebewaing, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sebewaing, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

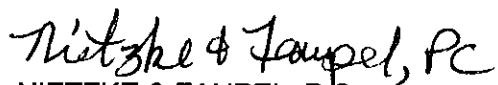
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sebewaing, Michigan, as of March 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2007, on our consideration of the Village of Sebewaing, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## **Report of Independent Auditors (Continued)**

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 32 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sebewaing, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NIETZKE & FAUPEL, P.C.  
SEBEWAING, MICHIGAN

September 4, 2007

# VILLAGE OF SEBEWAING, MICHIGAN

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## Management's Discussion and Analysis March 31, 2007

This overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2007 is offered in conjunction with the Village's financial statements.

This overview also includes statements from the Sebewaing Light and Water Department as part of the Business-type activities.

### **Financial Highlights**

- The combined assets of the Village exceeded its liabilities at the close of the fiscal year by \$18,099,407.
- The Village of Sebewaing's total net assets increased by \$911,801. The governmental activities increased by \$180,410 and the business-type activities increased by \$731,392.
- At the close of the fiscal year, the Village's Governmental funds reported a combined ending fund balance of \$834,447. The combined net assets for the Business-type activities and the Internal Service Fund were \$14,403,795.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the financial statements of the Village. The financial statements provide information about the activities of the Village as a whole and will present a long term view of the overall finances of the Village.

# VILLAGE OF SEBEWAING, MICHIGAN

## Management's Discussion and Analysis March 31, 2007

### The Village as a Whole

The table below shows the comparison of net assets, in a condensed format, as of March 31, 2007 to the prior year:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
<b>Assets</b>				
Current Assets	\$ 819,943	\$ 885,730	\$ 6,671,053	\$ 6,476,240
Restricted Assets	192,843	60,876	1,574,092	1,550,048
Net Capital Assets	3,000,456	2,806,556	6,587,094	5,995,850
Other Assets	68,048	69,710	9,211	10,979
<b>Total Assets</b>	<b><u>4,081,290</u></b>	<b><u>3,822,872</u></b>	<b><u>14,841,450</u></b>	<b><u>14,033,117</u></b>
<b>Liabilities</b>				
Current Liabilities	48,074	20,528	328,220	228,910
Long Term Debt	109,561	59,101	337,477	359,846
<b>Total Liabilities</b>	<b><u>157,635</u></b>	<b><u>79,629</u></b>	<b><u>665,697</u></b>	<b><u>588,756</u></b>
<b>Net Assets</b>				
Capital Assets	2,955,456	2,806,556	6,352,094	5,730,850
Restricted Assets	192,842	60,877	1,574,092	1,550,048
Unrestricted assets	775,356	875,810	6,249,567	6,163,463
<b>Total Net Assets</b>	<b><u>\$3,923,654</u></b>	<b><u>\$3,743,243</u></b>	<b><u>\$14,175,753</u></b>	<b><u>\$13,444,361</u></b>

	<u>March 31,</u> <u>2007</u>	<u>Total</u> <u>March 31,</u> <u>2006</u>
<b>Assets</b>		
Current Assets	\$7,490,996	\$7,361,970
Restricted Assets	1,766,935	1,610,924
Net Capital Assets	9,587,550	8,802,406
Other Assets	77,259	80,689
<b>Total Assets</b>	<b><u>18,922,739</u></b>	<b><u>17,855,989</u></b>
<b>Liabilities</b>		
Current Liabilities	376,294	249,438
Long Term Debt	447,038	418,947
<b>Total Liabilities</b>	<b><u>823,332</u></b>	<b><u>668,385</u></b>
<b>Net Assets</b>		
Capital Assets	9,307,549	8,537,406
Restricted Assets	1,766,934	1,610,925
Unrestricted Assets	7,024,923	7,039,273
<b>Total Net Assets</b>	<b><u>\$18,099,407</u></b>	<b><u>\$17,187,604</u></b>



# VILLAGE OF SEBEWAING, MICHIGAN

## Management's Discussion and Analysis March 31, 2007

The Village's combined net assets increased from \$17,187,604 a year ago, to \$18,099,407.

Unrestricted net assets – the part of net assets that can be used to finance the day-to-day operations ended the fiscal year with a balance of \$775,356 for Governmental Activities.

The following table shows the changes in net assets as of March 31, 2007 and the prior year :

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>	<u>March 31,</u> <u>2007</u>	<u>March 31,</u> <u>2006</u>
<b>Revenues</b>				
Charges for Services	\$ 80,059	\$ 84,417	\$ 3,914,210	\$ 3,397,512
Operating Grants and Contributions	1,229	16,047	9,000	9,000
Capital Grants and Contributions	425,581	1,959,205		
Property Taxes	547,167	514,467	102,098	96,374
State Shared Revenues	382,727	411,498	10,148	10,148
Investment Earnings	38,309	26,824	364,898	193,188
Miscellaneous	194,369	36,355	251,435	25,938
Gain (loss) on Sale of				
Capital Assets	(11,677)	(400)		
Transfers – net	(58,989)	(41,915)	39,256	35,915
<b>Total revenues and Transfers</b>	<b><u>1,598,775</u></b>	<b><u>3,006,498</u></b>	<b><u>4,691,045</u></b>	<b><u>3,768,074</u></b>
<b>Program Expenses</b>				
General Government	189,216	171,993		
Public Safety	378,556	362,952		
Highway and Public Improvements	686,840	407,345		
Sanitation	72,834	71,590		
Parks and Recreation	82,315	85,949		
Sewer			319,523	340,192
Water and Sewer Projects			28,487	30,598
Light and Water			3,611,643	3,165,646
Unallocated Depreciation	8,602	8,928		
<b>Total Expenses</b>	<b><u>1,418,365</u></b>	<b><u>1,108,757</u></b>	<b><u>3,959,653</u></b>	<b><u>3,536,436</u></b>
Change in Net Assets	180,410	1,897,741	731,392	231,638
<b>Net Assets - Beginning of Year</b>	<b><u>3,743,243</u></b>	<b><u>1,845,502</u></b>	<b><u>13,444,361</u></b>	<b><u>13,212,723</u></b>
<b>Net Assets – End of Year</b>	<b><u>\$3,923,654</u></b>	<b><u>\$3,743,243</u></b>	<b><u>\$14,175,753</u></b>	<b><u>\$13,444,361</u></b>

# VILLAGE OF SEBEWAING, MICHIGAN

## Management's Discussion and Analysis March 31, 2007

	<u>March 31,</u> <u>2007</u>	<u>Total</u> <u>March 31,</u> <u>2006</u>
<b>Revenues</b>		
Charges for Services	\$ 3,994,269	\$ 3,481,929
Operating Grants and Contributions	10,229	25,047
Capital Grants and Contributions	425,581	1,959,205
Property Taxes	649,265	610,841
State Shared Revenues	392,875	421,646
Investment Earnings	403,207	220,012
Miscellaneous	445,802	62,293
Gain (loss) on Sale of		
Capital Assets	(11,677)	(400)
Transfers - net	(19,733)	(6,000)
<b>Total revenues and transfers</b>	<b><u>6,289,818</u></b>	<b><u>6,774,572</u></b>
<b>Program Expenses</b>		
General Government	189,216	171,993
Public Safety	378,556	362,952
Highway and Public Improvements	686,840	407,345
Sanitation	72,834	71,590
Parks and Recreation	82,315	85,949
Sewer	319,523	340,192
Water and Sewer Projects	28,487	30,598
Light and Water	3,611,643	3,165,646
Unallocated Depreciation	<u>8,602</u>	<u>8,928</u>
<b>Total Expenses</b>	<b><u>5,378,017</u></b>	<b><u>4,645,193</u></b>
Change in Net Assets	911,801	2,129,379
<b>Net Assets -</b>		
Beginning of Year	<u>17,187,604</u>	<u>15,058,225</u>
<b>Net Assets - End of Year</b>	<b><u>\$18,099,407</u></b>	<b><u>\$17,187,604</u></b>

## VILLAGE OF SEBEWAING, MICHIGAN

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### Management's Discussion and Analysis March 31, 2007

#### **Governmental Activities**

The Village's total governmental revenues decreased by \$1,407,723 due to capital grants received in the prior year to finance infrastructure improvements in the Village's streets. Expenses increased by \$309,608 or 28 percent, over the last fiscal year. This increase was also related primarily to the street project that took place during the fiscal year. During the year, the Village continued meeting the actuarial required contributions for its defined benefit pension system. This is important for the Village since future taxpayers should not be required to fund benefit payments that were earned in the current period.

#### **Business-type Activities**

The Village's business-type activities consist of the Light and Water, Sewer and M-25 Water and Sewer Funds. The Village provides electricity, water and sewer to its residents and to some Township residents by Village-owned and operated systems.

The Light and Water Fund had a net income of \$589,213 and its cash flow increased by \$137,415.

The Sewer Fund had a net income of \$113,682 on revenues of \$377,730. Revenues were down from the prior year because of the elimination of the sewer mills levied on the property taxes. Cash flow for the Sewer Fund decreased \$68,376 due mainly to maintenance of the system.

#### **The Village's Funds**

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for the current year were the General Fund and the Capital Project Fund.

The General Fund pays for most of the Village's governmental services. The most significant are Public Safety, General Government, Public Services, and Parks and Recreation, which incurred expenditures of \$850,472 in the current fiscal year. These costs are funded by real and personal property taxes and other general revenue sources of the General Fund.

The Capital Project Fund was used to account for the proceeds of the federal and state grants received to finance the improvements to the Village's street system. The amount of the grants totaled \$349,181. The capital expenditures to improve the street system totaled \$364,412.

#### **General Fund Budgetary Highlights**

Overall, revenues in the General Fund exceeded the budget by \$12,314. The Village's state revenue sharing was \$10,000 less than the budgeted amount, but miscellaneous revenues were \$19,000 more than the budgeted amount. Village departmental expenses in the General Fund overall spent more than budget projections by \$13,942.

## VILLAGE OF SEBEWAING, MICHIGAN

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### Management's Discussion and Analysis March 31, 2007

#### **Capital Asset and Debt Administration**

As of March 31, 2007, the Village had a total of approximately \$9.3 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, equipment and electric, water and sewer lines.

Bonded debt was reduced by \$30,000.

More detailed information concerning capital assets and long-term debt can be found in Notes 1 and 6, respectively, in the notes to the financial statements.

#### **Economic Factors and Next Year's Budgets and Rates**

Increasing the capacity of the Village's lagoon system is in the Village's future. With the capital cost of an additional cell to the system, the Village's sewer rates were studied. The sewer rate structure was revised to a water consumption and ready to serve charge to customers of the sewer system instead of the unit charge that has been in place since 1972. The revenues received for the March 31, 2007 fiscal year were higher than budgeted by \$8,300. After the rate study, rates were increased on April 1, 2005 and again on May 1, 2006. Rates will be reviewed again during the 2007-2008 fiscal year.

The construction phase of the street improvements in the Village's downtown area, around the Lapeer Metal Stamping plant, was completed during the fiscal year ending March 31, 2007. There are no major street improvements planned during the 2007-2008 fiscal year.

The Village will be constructing a new sewer lift station. The cost estimate is \$350,000. There is no grant funding available for this project so the Sewer Fund will be funding this project through the increased sewer rates and the sewer fund balance.

Due to the age of the Sanitary Sewer System, constructed in 1972, in 2005 the Village started a four year program to video inspect the entire sanitary sewer system. The Village has budgeted \$20,000 for 2006 and will budget \$20,000 for 2007 for these inspections. In 2005 the Village relined 2500 linear feet of sanitary sewer main at a cost of approximately \$110,000. For 2006 the Village will reline an additional 1150 linear feet of sewer main for \$45,000. The costs for any relining that may be required, as a result of the video inspections, will be included in the 2007-2008 budget.

The Village of Sebewaing and the Sebewaing Light and Water Department have occupied the same office building, located at 108 – 110 W. Main Street, since approximately 1950. Due to the increase in staff, equipment and storage requirements, both offices have outgrown the space. In November 2006, the Village purchased a vacant building located at 222 North Center Street for \$55,000.00 and the Sebewaing Light and Water Department bought the Village's portion of the existing office building for \$150,000. The terms for the purchase of the new building were \$10,000 down and an equal annual payment of \$6,259.71, plus 6.5% interest on the unpaid balance. The first annual payment will be made in November 2007 and the final payment will be due in November 2016.

## VILLAGE OF SEBEWAING, MICHIGAN

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### Management's Discussion and Analysis March 31, 2007

The Village started renovations of the new building during the 2006-2007 fiscal year. Completion of the project is scheduled for May 2007. The estimated costs for the renovations are \$180,000. The Village has \$45,000 in a New Office Building fund and, with the \$150,000 from the Sebewaing Light and Water Department, it is anticipated that very little fund balance from the General Fund will be required to complete the renovations of the new Village Office.

In addition to the new Village Office, Council Rooms and space for the Chamber of Commerce, there is also room in the building for future renovations to accommodate the Sebewaing Police Department. There is no time frame for the renovations for the Police Department to be completed.

#### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village Office, at 222 N. Center Street, Sebewaing, Michigan 48759.

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF NET ASSETS  
MARCH 31, 2007**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTALS</u>
<b><u>ASSETS</u></b>			
Cash and deposits	\$ 581,049	\$ 3,906,510	\$ 4,487,559
Investments	115,453	2,163,719	2,279,172
Accounts receivable	51,826	133,309	185,135
Accrued interest receivable	1,363	27,806	29,169
Inventory		372,202	372,202
Prepaid insurance	38,102	68,291	106,393
Internal balances	940	(784)	156
Due from Harbor Commission	31,210		31,210
Restricted assets:			
Cash and deposits	147,865	1,469,506	1,617,371
Investments	44,978	104,586	149,564
Nondepreciated capital assets	164,223	291,978	456,201
Capital assets	3,634,420	13,089,264	16,723,683
Less accumulated depreciation	(984,322)	(7,022,685)	(8,007,007)
Construction in progress	186,135	228,537	414,672
Investment in Sebewaing Harbor Commission	68,048		68,048
Bond issue costs		40,674	40,674
Less accumulated amortization		(31,463)	(31,463)
<b><u>TOTAL ASSETS</u></b>	<u>4,081,290</u>	<u>14,841,450</u>	<u>18,922,739</u>

# VILLAGE OF SEBEWAING, MICHIGAN

## STATEMENT OF NET ASSETS MARCH 31, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b>LIABILITIES:</b>			
Accounts payable	35,878	288,069	323,947
Accrued payroll taxes	3,479	10,037	13,516
Accrued payroll	8,717	6,007	14,724
Compensated absences	64,561	102,477	167,038
Deferred revenue		5,074	5,074
Customer deposits		17,661	17,661
Note payable	45,000		45,000
Payable from restricted assets:			
Accrued interest payable		1,372	1,372
General obligation bonds payable		235,000	235,000
<b>TOTAL LIABILITIES</b>	<u>157,635</u>	<u>665,697</u>	<u>823,332</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	2,955,456	6,352,094	9,307,549
Restricted for:			
Debt service		76,132	76,132
Capital projects	192,842	1,497,960	1,690,802
Unrestricted	775,356	6,249,567	7,024,923
<b>TOTAL NET ASSETS</b>	<u>\$ 3,923,654</u>	<u>\$ 14,175,753</u>	<u>\$ 18,099,407</u>

The accompanying notes are an integral part of the financial statements.



# VILLAGE OF SEBEWAING, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2007

	PROGRAM REVENUES			NET (EXPENSE) REVENUES & CHANGES IN		TOTALS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	NET ASSETS		
				GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental Activities:						
General government	\$ 189,216	\$ 568	\$ 825	\$ 76,400	\$ (111,991)	\$ (111,991)
Public safety	378,556	1,100			(377,987)	(377,987)
Highways and public improvements	686,840	76,591		349,181	(336,560)	(336,560)
Sanitation	72,834	1,800	404		3,757	3,757
Parks and recreation	82,315				(80,112)	(80,112)
Unallocated depreciation	8,602				(8,602)	(8,602)
Total governmental activities	1,418,365	80,059	1,229	425,581	(911,495)	(911,495)
Business-Type Activities:						
Sewer	319,523	372,656			\$ 53,133	53,133
Water & sewer projects	28,487	9,421			(19,066)	(19,066)
Light & water	3,611,643	3,532,134	9,000		(70,509)	(70,509)
Total business-type activities	3,959,653	3,914,210	9,000		(36,442)	(36,442)
Total Government	\$5,378,017	\$ 3,994,269	\$ 10,229	\$ 425,581	(911,495)	(947,938)
General Revenue:						
Property taxes					547,167	547,167
State shared revenues					382,727	382,727
Unrestricted investment earnings					38,309	38,309
Miscellaneous					194,369	194,369
Gain (loss) on sale of capital assets					(11,677)	(11,677)
Transfers - net					(58,989)	(58,989)
Total general revenues and transfers					1,091,905	1,091,905
Change in net assets					180,410	180,410
Net assets - beginning					3,743,243	3,743,243
Net assets - ending					\$3,923,654	\$3,923,654
					\$14,175,753	\$14,175,753
					</	

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SEBEWAING, MICHIGAN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2007**

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and deposits	\$ 263,805	\$ 453	\$ 203,630	\$ 467,888
Investments	22,427		82,793	105,220
Accounts receivable	25,966		25,860	51,826
Accrued interest receivable	1,102		261	1,363
Prepaid insurance	28,579		3,435	32,014
Due from Harbor Commission	31,210			31,210
Due from other funds	156		222	378
Restricted assets:				
Cash	147,865			147,865
Investments	44,978			44,978
<b>TOTAL ASSETS</b>	<u>\$ 566,088</u>	<u>\$ 453</u>	<u>\$ 316,202</u>	<u>\$ 882,743</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES:</u></b>				
Accounts payable	\$ 35,878			\$ 35,878
Due to other funds			\$ 222	222
Withheld and accrued payroll taxes	3,479			3,479
Accrued payroll	8,717			8,717
<b>TOTAL LIABILITIES</b>	<u>48,074</u>		<u>222</u>	<u>48,296</u>
<b><u>FUND BALANCES:</u></b>				
Unreserved, reported in:				
General Fund	325,172			325,172
Special Revenue Funds			315,980	315,980
Capital Project Fund		\$ 453		453
Reserved, reported in:				
General Fund	192,842			192,842
<b>TOTAL FUND BALANCES</b>	<u>518,014</u>	<u>453</u>	<u>315,980</u>	<u>834,447</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 566,088</u>	<u>\$ 453</u>	<u>\$ 316,202</u>	<u>\$ 882,743</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SEBEWAING, MICHIGAN**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCES**  
**TO GOVERNMENTAL ACTIVITIES NET ASSETS**  
**MARCH 31, 2007**

<b>Total governmental fund balances</b>	<b>\$ 834,447</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$3,984,778 less the accumulated depreciation of \$984,322.	3,000,456
Internal service fund is not included in the governmental funds.	130,265
Investment in Sebewaing Harbor Commission (a joint venture) is not included in the governmental funds.	68,048
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(64,561)
Long-term liabilities, including note payable - office building	(45,000)
<b>Net assets - governmental activities</b>	<b><u>\$ 3,923,654</u></b>

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>GENERAL</u>	<u>CAPITAL PROJECT FUND</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>				
Taxes	\$ 379,572		\$ 134,830	\$ 514,402
Licenses and permits	500			500
Intergovernmental	235,888	\$ 349,181	191,723	776,792
Fines	8,142			8,142
Charges for services	76,591			76,591
Miscellaneous	196,511		17,281	213,792
<b>TOTAL REVENUE</b>	<u>897,204</u>	<u>349,181</u>	<u>343,833</u>	<u>1,590,219</u>
<b>EXPENDITURES:</b>				
Current:				
General government	164,673			164,673
Public safety	349,663			349,663
Public services	143,885			143,885
Highways and streets		66,595	254,488	321,083
Parks and recreation	56,956			56,956
Capital outlay	135,295	297,817		433,111
<b>TOTAL EXPENDITURES</b>	<u>850,472</u>	<u>364,412</u>	<u>254,488</u>	<u>1,469,371</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>46,734</u>	<u>(15,231)</u>	<u>89,346</u>	<u>120,849</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	7,273	14,238	70,000	91,511
Operating transfers out	(58,989)		(91,512)	(150,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(51,716)</u>	<u>14,238</u>	<u>(21,512)</u>	<u>(58,990)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(4,983)</u>	<u>(992)</u>	<u>67,833</u>	<u>61,859</u>
<b>FUND BALANCE - BEGINNING</b>	522,994	1,445	248,147	772,586
<b>FUND BALANCE - ENDING</b>	<u>\$ 518,014</u>	<u>\$ 453</u>	<u>\$ 315,980</u>	<u>\$ 834,447</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007**

<b>Net change in fund balances - governmental funds</b>	<b>\$ 61,859</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlays	\$ 118,499	
Construction in progress	64,736	
Depreciation expense	<u>(97,670)</u>	
		85,565

The net expense of certain activities of internal service fund is reported with governmental activities.	(17,272)
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Contribution toward office building was not reported with governmental activities.	76,400
------------------------------------------------------------------------------------	--------

The increase in accrued compensated absences is not reported with governmental activities.	(5,460)
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Sales of capital assets are not recorded in the governmental funds.	(19,020)
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Equity method loss recognized from the Sebewaing Harbor Commission.	(1,662)
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 180,410</u></b>
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**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
MARCH 31, 2007**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	<u>TOTALS</u>	
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and deposits	\$ 598,247		\$ 3,308,263	\$ 3,906,510	\$ 113,161
Investments	287,724		1,875,995	2,163,719	10,233
Accounts receivable	59,145	\$ 2,429	71,735	133,309	
Accrued interest receivable	3,502		24,304	27,806	
Inventory	3,278		368,924	372,202	
Prepaid insurance	2,873		65,418	68,291	6,088
<b>TOTAL CURRENT ASSETS</b>	<u>954,768</u>	<u>2,429</u>	<u>5,714,639</u>	<u>6,671,837</u>	<u>129,482</u>
<b>NONCURRENT ASSETS:</b>					
Restricted assets					
Cash and deposits	226,398	243,108	1,000,000	1,469,506	
Investments	94,793	9,794		104,586	
Capital assets	2,633,879	419,844	10,556,056	13,609,779	496,949
Less: accumulated depreciation	(1,525,887)	(144,963)	(5,351,835)	(7,022,685)	(398,389)
Bond issue costs		40,674		40,674	
Less: Accumulated amortization		(31,463)		(31,463)	
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,429,183</u>	<u>536,993</u>	<u>6,204,221</u>	<u>8,170,396</u>	<u>98,560</u>
<b>TOTAL ASSETS</b>	<u>2,383,952</u>	<u>539,422</u>	<u>11,918,860</u>	<u>14,842,233</u>	<u>228,042</u>

**VILLAGE OF SEBEWAING, MICHIGAN**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**MARCH 31, 2007**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>TOTALS</u>	<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>		
<b><u>LIABILITIES</u></b>					
<b><u>CURRENT LIABILITIES:</u></b>					
Accounts payable	5,629		282,440	288,069	
Accrued payroll taxes			10,037	10,037	
Accrued payroll	2,720		3,287	6,007	
Deferred revenue			5,074	5,074	
Customer deposits			17,661	17,661	
Payable from restricted assets					
Accrued interest payable		1,372		1,372	
Bonds payable - Current		35,000		35,000	
<b>TOTAL CURRENT LIABILITIES</b>	<u>8,349</u>	<u>36,372</u>	<u>318,497</u>	<u>363,219</u>	
<b><u>NONCURRENT LIABILITIES:</u></b>					
Compensated absences	10,990		91,487	102,477	
Bonds payable		200,000		200,000	
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>10,990</u>	<u>200,000</u>	<u>91,487</u>	<u>302,477</u>	
<b>TOTAL LIABILITIES</b>	<u>19,339</u>	<u>236,372</u>	<u>409,984</u>	<u>665,696</u>	
<b><u>NET ASSETS:</u></b>					
Invested in capital assets, net of related debt	1,107,992	39,881	5,204,221	6,352,094	98,560
Restricted for:					
Debt service		76,132		76,132	
Capital projects	321,191	176,769	1,000,000	1,497,960	
Unrestricted	<u>935,430</u>	<u>10,267</u>	<u>5,304,655</u>	<u>6,250,351</u>	<u>129,482</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 2,364,613</u>	<u>\$ 303,050</u>	<u>\$ 11,508,876</u>	<u>14,176,537</u>	<u>\$ 228,042</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds				(784)	
Net assets of business-type activities				<u>\$ 14,175,753</u>	

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	<u>TOTALS</u>	
<b>OPERATING REVENUE:</b>					
Charges for services	\$ 372,656	\$ 9,421	\$ 3,532,134	\$ 3,914,210	\$ 80,386
Current property taxes			102,098	102,098	
Intergovernmental	<u>5,074</u>		<u>5,074</u>	<u>10,148</u>	
<b>TOTAL OPERATING REVENUE</b>	<u>377,730</u>	<u>9,421</u>	<u>3,639,306</u>	<u>4,026,456</u>	<u>80,386</u>
<b>OPERATING EXPENSES:</b>					
Salaries and wages	77,989			77,989	10,468
Employee benefits	36,554			36,554	7,851
Laboratory tests	2,052			2,052	
Operating supplies					907
Gas and oil					13,152
Audit fees	3,400			3,400	775
Legal fees	21,793			21,793	
Printing and publishing	3,855			3,855	
Insurance	4,848			4,848	7,468
Lift station expense	4,665			4,665	
Maintenance and repair	89,635			89,635	13,815
Equipment rental	5,524			5,524	
Miscellaneous	720			720	
Depreciation	66,405	8,397		74,802	55,464
Internet			56,426	56,426	
Production			2,264,279	2,264,279	
Distribution			398,240	398,240	
General and administrative			<u>892,698</u>	<u>892,698</u>	
<b>TOTAL OPERATING EXPENSES</b>	<u>317,441</u>	<u>8,397</u>	<u>3,611,643</u>	<u>3,937,481</u>	<u>109,901</u>
<b>OPERATING INCOME (LOSS)</b>	<u>60,289</u>	<u>1,024</u>	<u>27,663</u>	<u>88,975</u>	<u>(29,515)</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>					
Interest income	50,437	10,390	304,071	364,898	2,819
Miscellaneous	2,956		248,479	251,435	7,343
Bond interest and fees		(18,321)		(18,321)	
Amortization		<u>(1,768)</u>		<u>(1,768)</u>	
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>53,393</u>	<u>(9,700)</u>	<u>552,550</u>	<u>596,243</u>	<u>10,162</u>
<b>INCOME (LOSS) BEFORE OTHER FINANCING SOURCES</b>	<u>113,682</u>	<u>(8,676)</u>	<u>580,213</u>	<u>685,218</u>	<u>(19,352)</u>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfer in		39,256		39,256	
Contributions			9,000	9,000	
<b>CHANGE IN NET ASSETS</b>	<u>113,682</u>	<u>30,579</u>	<u>589,213</u>	<u>733,474</u>	<u>(19,352)</u>
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>2,250,931</u>	<u>272,471</u>	<u>10,919,663</u>		<u>247,395</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 2,364,613</u>	<u>\$ 303,050</u>	<u>\$ 11,508,876</u>		<u>\$ 228,042</u>

Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds

(2,082)

Change in net assets of business-type activities

\$ 731,392



# VILLAGE OF SEBEWAING, MICHIGAN

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED MARCH 31, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	SANITARY SEWER	M-25 WATER AND SEWER SYSTEM	LIGHT AND WATER DEPARTMENT	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 363,581	\$ 9,421	\$ 3,509,734	\$ 3,882,735
Receipts from other governments	5,074			5,074
Receipts from interfund services				
Payments to suppliers of goods and services	(131,003)		(1,970,992)	(2,101,995)
Payments for interfund services	(5,524)			(5,524)
Payments to employees	(79,410)		(521,023)	(600,433)
Payments for fringe benefits	(34,579)		(265,589)	(300,168)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>118,138</u>	<u>9,421</u>	<u>752,131</u>	<u>879,690</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers in		39,256		39,256
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>		<u>39,256</u>		<u>39,256</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on revenue bonds		(30,000)		(30,000)
Interest and fees paid on bonds		(18,495)		(18,495)
Acquisition of capital assets	(91,052)		(927,029)	(1,018,081)
Sale of assets				(62,677)
Contributed capital received			9,000	8,600
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(91,052)</u>	<u>(48,495)</u>	<u>(918,029)</u>	<u>(54,077)</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	49,417	10,390	303,313	2,819
(Increase) decrease in short-term investments	(144,879)	(442)		(463)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(95,462)</u>	<u>9,948</u>	<u>303,313</u>	<u>2,358</u>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<u>(68,376)</u>	<u>10,130</u>	<u>137,415</u>	<u>(24,391)</u>
<b>CASH AND RESTRICTED CASH - BEGINNING OF THE YEAR</b>	893,021	232,978	4,170,850	137,552
<b>CASH AND RESTRICTED CASH - END OF THE YEAR</b>	<u>\$ 824,645</u>	<u>\$ 243,108</u>	<u>\$ 4,308,265</u>	<u>\$ 113,161</u>
<b>Cash Reconciliation:</b>				
Cash	\$ 598,247		\$ 3,308,263	\$ 113,161
Restricted cash	<u>226,398</u>	<u>\$ 243,108</u>	<u>1,000,000</u>	<u>1,469,506</u>
<b>Total</b>	<u>\$ 824,645</u>	<u>\$ 243,108</u>	<u>\$ 4,308,263</u>	<u>\$ 113,161</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>SANITARY SEWER</u>	<u>M-25 WATER AND SEWER SYSTEM</u>	<u>LIGHT AND WATER DEPARTMENT</u>	<u>TOTALS</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 60,289	\$ 1,024	\$ 27,663	\$ 88,975	\$ (29,515)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	66,405	8,397	352,036	426,838	55,464
Miscellaneous	2,956		248,479	251,435	
(Increase) decrease in current assets:					
Accounts receivable - Trade	(9,075)		(22,400)	(31,475)	
Prepaid insurance	1,975		9,386	11,361	1,380
Inventories			25,441	25,441	
Increase (decrease) in current liabilities:					
Accounts payable	(2,989)		100,028	97,039	
Due to other government			156	156	
Accrued salaries and wages	11,520		1,638	13,158	
Compensated absences	(12,941)		9,582	(3,359)	
Accrued payroll taxes			(389)	(389)	
Customer deposits			511	511	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 118,138</u>	<u>\$ 9,421</u>	<u>\$ 752,131</u>	<u>\$ 879,690</u>	<u>\$ 27,329</u>

The accompanying notes are an integral  
part of the financial statements.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Village of Sebewaing operates a Council-Mayor form of government under provisions of a revised charter dated May 18, 1965, and provides the following services as authorized by its charter: public safety, (police and inspection), highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration.

The Village's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the Village are discussed below.

#### **Reporting Entity:**

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

#### **Included in the reporting entity:**

**Sebewaing Light and Water Department.** The Light and Water Department is an entity legally separate from the Village and is governed by a four-member board of commissioners made up of members of the Village Council. For financial reporting purposes, the Light and Water Department is included in the reporting entity of the Village as a blended component unit because its purpose is to provide electric and water utility service to the residents of the Village.

#### **Excluded from the reporting entity:**

**Unionville Sebewaing Area Schools.** This potential component unit has a separate elected board and provides educational services to residents of the Village as well as other surrounding areas. This unit is excluded from the reporting entity because the Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Reporting Entity: (Continued)**

**Sebewaing Harbor Commission.** The Village of Sebewaing along with Sebewaing Township created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Village and Township along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Village's management has excluded the Harbor Commission from the reporting entity of the Village. However, because of the financial interest and responsibility the Village and Township equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Village of Sebewaing and the Sebewaing Township. The investment in the joint venture has been included in the government-wide statement of net assets and further disclosures related to the investment in the joint venture are included in Note 5.

##### **Government Wide and Fund Financial Statements:**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's public safety and general administrative services are classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Village are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Intergovernmental revenue and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Village.

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Village reports the following major governmental funds:

**General Fund**-The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Project Fund**-The Capital Project Fund accounts for activities related to a grant received for the purpose of making infrastructure improvements around a local factory.

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)**

The Village reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities of the Village's wastewater treatment operations.

The **Light & Water Fund** accounts for the activities of the Village's electric and water distribution systems.

The **M-25 Fund** accounts for the retirement of bonds used to finance the expansion of the Village's water and sewer system to the M-25 District.

Additionally, the Village reports the following nonmajor fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from State Revenue Sharing. The Street Tax Fund is a special revenue fund used to account for revenue from a special tax assessed for street and sidewalk maintenance.

**Internal Service Funds (Equipment Rental Fund)** - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the utility enterprise fund and the Village's internal service fund are charges to customers for use of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Internal Service Funds (Equipment Rental Fund)** When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Budgets and Budgetary Accounting:**

The Village Council practices the following procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. The Village Clerk is required by the Village charter to present a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year.

##### **Cash and Cash Equivalents:**

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposit. Investments in U.S. Treasury Securities and approved municipal investment pools are excluded from cash and cash equivalents.

##### **Receivables and Payables:**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Other receivables at March 31, 2007 consist of state road taxes, and billings for user charged services, including trash collections and utility services. Trash and utility charges are deemed collectible in full.

##### **Property Taxes:**

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 14. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that it is measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes).



## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Village will not retroactively capitalize the major infrastructure assets acquired on or before March 31, 2004 as permitted by GASB 34.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 to 50
Buildings	25 to 50
Office equipment	5 to 15
Machinery and equipment	5 to 20
Vehicles	5 to 8
Improvements other than buildings	20

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental Statement of Net Assets. Depreciation expense for the year ended March 31, 2007, was \$97,670. Capital asset acquisitions in the governmental funds totaled \$367,312 and asset disposals totaled \$77,056 for the year ended March 31, 2007. A summary of Governmental Fund capital assets at March 31, 2007, follows:

# VILLAGE OF SEBEWAING, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Capital Assets: (Continued)

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Land (Nondepreciated)	\$ 164,223	\$ 164,223
Land improvements	222,546	222,546
Buildings	448,010	477,847
Equipment	308,598	301,106
Streets	2,147,741	1,991,319
Internal Service Fund assets	496,949	458,272
Other infrastructure	10,575	10,575
Construction in progress	<u>186,136</u>	<u>68,635</u>
Total capital assets	3,984,778	3,694,523
Less accumulated depreciation	<u>984,322</u>	<u>887,967</u>
<b>Net governmental fund capital assets</b>	<b><u>\$ 3,000,456</u></b>	<b><u>\$2,806,556</u></b>

Depreciation of capital assets used by business-type funds is charged as an expense against their operations. Accumulated depreciation is reported on business-type fund balance sheets. Depreciation expense for the year ended March 31, 2007 was \$426,838. Capital asset acquisitions in the business-type funds totaled \$1,018,081 and there were no asset disposals for the year ended March 31, 2007. A summary of Business-Type Fund capital assets at March 31, 2007, follows:

	<u>March 31,</u>	
	<u>2007</u>	<u>2006</u>
Land (Nondepreciated)	\$ 291,978	\$ 285,104
Land improvements	74,950	74,950
Buildings	1,609,605	1,296,463
Equipment	284,223	284,223
Electric system	5,772,909	5,557,815
Water system	2,907,017	2,521,137
Sewer collection system	2,365,520	2,365,520
Roads and fencing	75,040	75,040
Construction in progress	<u>228,537</u>	<u>131,446</u>
Total capital assets	13,609,779	12,591,697
Less accumulated depreciation	<u>7,022,685</u>	<u>6,595,847</u>
<b>Net business-type fund capital assets</b>	<b><u>\$ 6,587,094</u></b>	<b><u>\$ 5,995,850</u></b>

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Capital Assets: (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

##### **Governmental activities:**

Public safety	\$10,547
Highways and public improvements	56,365
Parks and recreation	22,156
Unallocated	<u>8,602</u>
Total depreciation expense – governmental activities	<u>\$97,670</u>

##### **Business-type activities:**

Sewer	\$ 66,405
Light and water	352,036
Water and sewer projects	<u>8,397</u>
Total depreciation expense – business-type activities	<u>\$426,838</u>

##### **Compensated Absences:**

Village and Light and Water Department employees are allowed to accumulate a maximum of one hundred twenty days of sick leave. In the event of death, termination of employment, or retirement of an employee, one-half of sick leave accumulation is paid to the employee at his current rate of pay. Unused sick leave in excess of one hundred twenty days is paid annually at one-half of regular pay rate. There is no accumulation of unused vacation days allowed. The Village accrues a liability for compensated absences based on the estimate of accumulated sick leave that will be paid to its employees upon termination of employment in accordance with the requirements of GASB Statement 16. For governmental funds, the liability for compensated absences is recorded in the government-wide statement of net assets since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with GASB Statement 16.

##### **Long-Term Obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Transfers:**

Transfers between funds are made to finance various programs accounted for in other funds in accordance with budgetary authorizations.

##### **Use of Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### **NOTE 2 - BUDGET COMPLIANCE:**

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Village for these budgetary funds were adopted at the department head/function level.

During the year ended March 31, 2007, the following expenditures were in excess of the amounts appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund:</b>			
Parks and recreation	\$ 52,490	\$ 56,956	\$ 4,466
Capital outlay	112,622	135,295	22,673

#### **NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS:**

The carrying amount of cash and deposits with financial institutions of the Village of Sebewaing amounted to \$6,104,930 at March 31, 2007. The total bank balance as of the same date was \$6,511,689. Deposits with financial institutions are categorized as follows:

	<u>March 31, 2007</u>
Amount insured by the FDIC	\$2,600,000
Uncollateralized	3,734,925
Deposits held by Huron County	176,764
Total deposits with financial institutions	<u>\$6,511,689</u>

The portion of the total deposits categorized as uncollateralized which is the property of the Village of Sebewaing is \$762,424, and \$2,972,501 is the property of the Sebewaing Light and Water Department, an Enterprise Fund.

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS: (CONTINUED)**

The carrying amount of cash and deposits, which were restricted or designated for specific purposes as of March 31, 2007, amounted to \$1,617,371. Cash and deposits were restricted or designated for the following purposes:

	<b>March 31, 2007</b>
Village beautification	\$ 7,285
Parks equipment	4,264
Scheiwe bell tower	582
Playscape	2,466
New village office	133,268
Retirement of general obligation sanitary sewer bonds and to extend, enlarge and improve the sewer system	469,506
Building and equipment replacement for the Light and Water Department	<u>1,000,000</u>
<b>Total restrictions on deposits</b>	<b><u>\$1,617,371</u></b>

Michigan Compiled Laws Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village's deposits are in accordance with statutory authority. The Village has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Village's deposits and investments are within the authorization as set forth by the Village of Sebewaing. The Village's investment policy does not address the risk categories required by GASB Statement No. 40.

#### **Investments:**

At March 31, 2007, the Sebewaing Light and Water Department held investments of \$1,900,000 in U.S. Treasury Securities with a carrying amount of \$1,875,995, which approximates the market value. The Light and Water Department owns the U.S. Treasury Securities directly and has purchased the securities through a "Treasury Direct" account with the Federal Reserve Bank of Chicago. Therefore, the investment would be classified as a Category 1 investment (Insured or registered, with securities held by the Department or its agent in the Department's name).

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 3 - CASH, CERTIFICATES OF DEPOSIT AND INVESTMENTS: (CONTINUED)**

The Village also invested its own funds in a municipal investment pool separate from Light and Water Department during the year ended March 31, 2007. The balance in the Village's municipal investment pool at March 31, 2007, was \$552,740. Of these investments, \$149,564 has been restricted for the following purposes:

New office building	\$44,978
Sewer system replacement	94,792
Redemption of M-25 Sewer and Water Construction Bonds	<u>9,794</u>
Total restrictions on investments	<u>\$149,564</u>

At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturity</u>
<b>Governmental Activities:</b>		
Cash management account	\$ 160,431	1 day
<b>Business-Type Activities:</b>		
Cash management account	392,310	1 day
U.S. Treasury Securities	<u>1,875,995</u>	52.9 days
	<u>\$ 2,428,736</u>	

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 4 - INVENTORIES:**

Inventories are stated at cost determined on the first-in, first-out method. Inventories consisted of the following:

	<b><u>March 31,</u></b> <b><u>2007</u></b>
<b>Light Department:</b>	
Poles, towers, fixtures	\$ 31,138
Line material	109,502
Line transformers	141,885
Meters	5,774
Street lighting	11,663
Customer service – Lamps	933
Office supplies	600
Lamps – Resale	6,457
Fuel oil, lubricants	11,047
Customer service – Material	<u>1,500</u>
<b>Total Light Department</b>	<b><u>320,499</u></b>
<b>Water Department:</b>	
Distribution mains, services	10,523
Fire hydrants	11,473
Meters	4,701
Maintenance supplies	21,378
Office supplies	<u>350</u>
<b>Total Water Department</b>	<b><u>48,425</u></b>
<b>Sanitary Sewer Fund:</b>	
Pipes, manhole covers, etc.	3,278
<b>Total Inventory</b>	<b><u>\$372,202</u></b>

#### **NOTE 5 - INVESTMENT IN JOINT VENTURE:**

As described in Note 1, included in the Statement of Net Assets is the amount of \$68,048, which represents the Village's investment in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Village shares equal financial and oversight responsibility with Sebewaing Township. The investment in the Sebewaing Harbor Commission is being accounted for using the equity method of accounting. The following is a condensed balance sheet of the Sebewaing Harbor Commission as of March 31, 2007:

**VILLAGE OF SEBEWAING, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**NOTE 5 - INVESTMENT IN JOINT VENTURE: (CONTINUED)**

<b>Assets:</b>	
Cash	\$ 1,362
Due from Sebewaing Township	975
Capital assets	103,340
Marina lease - net	<u>61,849</u>
<b>Total Assets</b>	<b><u>\$167,526</u></b>
<b>Liabilities:</b>	
Due to Village of Sebewaing	\$31,210
Deferred revenue	<u>221</u>
<b>Total Liabilities</b>	<b>31,431</b>
<b>Net Assets:</b>	
Investment in capital assets	103,340
Unrestricted	<u>32,755</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$167,526</u></b>

The Village of Sebewaing and Sebewaing Township, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Sebewaing Harbor Commission owned the land and received annual lease payments from the operator of the marina facility. The construction of the marina was financed by grants from the State of Michigan.

The Village advanced funds to the Harbor Commission which were used for the purchase of land at the proposed site of the marina. As of March 31, 2007, the amount due to the Village of Sebewaing from the Sebewaing Harbor Commission amounted to \$31,210. Also, an amount due to the Sebewaing Harbor Commission from Sebewaing Township amounted to \$975.

**NOTE 6 - LONG-TERM DEBT:**

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2007:

	<b>NOTE</b>	<b>COMPENSATED</b>	<b>M-25 SEWER AND WATER CONSTRUCTION</b>	
	<b><u>PAYABLE</u></b>	<b><u>ABSENCES</u></b>	<b><u>BONDS</u></b>	<b><u>TOTALS</u></b>
<b>Balance, March 31, 2006</b>		\$153,947	\$265,000	\$418,947
Debt Issued	\$45,000			45,000
Bonds retired			(30,000)	(30,000)
Net change in compensated absences		<u>13,091</u>		<u>13,091</u>
Total	45,000	167,038	235,000	447,038
Less: Current portion	<u>(3,335)</u>		<u>(35,000)</u>	<u>(38,335)</u>
<b>Balance, March 31, 2007</b>	<b><u>\$41,665</u></b>	<b><u>\$167,038</u></b>	<b><u>\$200,000</u></b>	<b><u>\$408,703</u></b>



**VILLAGE OF SEBEWAING, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**NOTE 6 - LONG-TERM DEBT: (CONTINUED)**

Details of the Village of Sebewaing's long-term debt as of March 31, 2007, are as follows:

On June 1, 1989, Huron County issued bonds totaling \$525,000 for the Village of Sebewaing for the purpose of defraying the cost of acquiring and constructing sanitary sewer and water lines along M-25 from Sebewaing Road south approximately 2,800 feet. The bonds shall be known as "Sebewaing M-25 Water and Sanitary Sewer System Bonds" and shall mature on September 1, 1990 and each September 1 thereafter until fully paid. The bonds shall bear interest payable September 1, 1989 and each March 1 and September 1 thereafter until maturity. The bonds final maturity date is September 1, 2012. The interest rates on the bonds range from 6.65% to 9.5% per annum, depending on maturity dates of the individual bonds. Bonds maturing on or after September 1, 2002 shall be subject to redemption in whole or in part on any interest payment date on or after September 1, 2001 in any order, at the option of the County, at par, plus accrued interest, plus a premium, if any, stated as a percentage of the face amount, as follows:

If redeemed on or after September 1, 2001, but before September 1, 2006: 2%

If redeemed on or after September 1, 2006, but before September 1, 2011: 1%

Bonds maturing on or after September 1, 2011 shall be subject to redemption without a premium.

\$235,000

On November 22, 2006, the Village entered into a note payable totaling \$45,000 for the purpose of purchasing a commercial building that was renovated into a new village office. The note requires annual payments commencing November 22, 2007 in the amount of \$6,260 including interest at the rate of 6.5% per annum until the note is paid in full. The final maturity date is November 22, 2016. The note is secured by a mortgage on the building.

45,000

Compensated absences	167,038
<b>Total Long-Term Debt Outstanding</b>	<b>447,038</b>
<b>Less: Current Portion of Long-Term Debt</b>	<b>(38,335)</b>
<b>Total Long-Term Portion of Debt</b>	<b><u>\$408,703</u></b>

## VILLAGE OF SEBEWAING, MICHIGAN

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

#### **NOTE 6 - LONG-TERM DEBT: (CONTINUED)**

Long-term Debt Service requirements excluding compensated absences at March 31, 2007 are as follows:

	<b><u>M-25 Bonds</u></b>	<b><u>Note Payable</u></b>
Year Ending 3/31/08	\$ 50,454	\$ 6,260
3/31/09	52,810	6,260
3/31/10	49,980	6,260
3/31/11	47,140	6,260
3/31/12	44,290	6,260
3/31/13-3/13/17	<u>41,430</u>	<u>31,297</u>
<b>Totals</b>	286,104	62,597
<b>Less Interest</b>	<u>(51,104)</u>	<u>(17,597)</u>
<b>Principal outstanding</b>	<b><u>\$235,000</u></b>	<b><u>\$45,000</u></b>

Total interest incurred amounted to \$17,745 for the year ended March 31, 2007, all of which was charged to expense.

#### **NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED:**

##### **Pension Plan:**

**Plan Description:** The Village of Sebewaing participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 447 N. Canal Road, Lansing, Michigan 48917.

**Funding Policy:** The obligation to contribute to and maintain the system for these employees was established by state statutes and requires a contribution from the employees of 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

**Annual Pension Cost:** For the year ended March 31, 2007, the Village's annual pension cost of \$109,586 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis.

# VILLAGE OF SEBEWAING, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007

### **NOTE 7 - RETIREMENT SYSTEM - MERS OPERATED: (CONTINUED)**

Three year trend information:

	<b><u>Fiscal year ended December 31,</u></b>		
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Annual pension cost	\$ 75,967	\$ 103,944	\$ 114,440
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-0-	-0-	-0-
Actuarial value of assets	4,065,945	4,147,907	4,325,940
Actuarial Accrued Liability (entry age)	5,323,901	5,507,223	5,639,628
Unfunded AAL	1,257,956	1,359,316	1,313,688
Funded ratio	76%	75%	77%
Covered payroll	828,818	930,050	927,927
UAAL as a percentage of covered payroll	152%	146%	142%

### **NOTE 8 - DEFERRED COMPENSATION:**

Employees of the Village of Sebewaing may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect To Service For State and Local Governments).

The deferred compensation plan is available to all employees of the Village. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution.

### **NOTE 9 – CONTINGENT LIABILITIES:**

The Village is a reimbursing employer for purposes of unemployment insurance claims against the Village. The Village reimburses the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as incurred.

### **NOTE 10 - RELATED PARTY TRANSACTIONS:**

As a matter of convenience, the Sebewaing Light and Water Department collects sewer, trash and fines billed by the Village of Sebewaing along with its own electric and water utility billings from customers. The collections for sewer, trash and fine charges are then periodically transferred to the Village's accounts. During the year ended March 31, 2007, the Village's General and Sanitary Sewer Funds paid \$38,600 to the Light and Water Department for electric service for street lighting and lift station operation.

## **VILLAGE OF SEBEWAING, MICHIGAN**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2007**

#### **NOTE 11 - RISK MANAGEMENT:**

##### **General Liability:**

Village of Sebewaing participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$8.6 million for real and personal property losses and \$5 million for liability losses. Village of Sebewaing is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

##### **Workers' Compensation:**

Village of Sebewaing purchased commercial insurance coverage for losses related to workers' compensation claims.

##### **Employee Health Care:**

Village of Sebewaing purchased commercial insurance coverage for its employees and their dependents.

**REQUIRED SUPPLEMENTAL INFORMATION**

**VILLAGE OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<b>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</b>
<b>REVENUE:</b>				
Taxes	\$ 381,220	\$ 381,220	\$ 379,572	\$ (1,648)
Licenses and permits	850	850	500	(350)
Intergovernmental	246,570	246,570	235,888	(10,682)
Fines	3,000	3,000	8,142	5,142
Charges for services	76,010	76,010	76,591	581
Miscellaneous	27,240	177,240	196,511	19,271
<b>TOTAL REVENUE</b>	<u>734,890</u>	<u>884,890</u>	<u>897,204</u>	<u>12,314</u>
<b>EXPENDITURES:</b>				
<b>General government:</b>				
<b>Legislative:</b>				
Salaries	22,320	23,670	19,714	3,956
Fringe benefits	1,710	1,710	1,587	123
<b>Total legislative</b>	<u>24,030</u>	<u>25,380</u>	<u>21,301</u>	<u>4,079</u>
<b>Financial and administration:</b>				
Salaries	62,600	61,600	61,600	-
Fringe benefits	29,875	23,660	23,212	448
Supplies	3,350	2,500	2,284	216
Postage	2,500	2,500	2,391	109
Professional services	18,300	12,600	9,560	3,040
Telephone and internet services	2,500	2,300	2,142	158
Transportation	2,000	1,000	650	350
Promotions	4,000	1,700	1,105	595
Printing and publishing	7,500	7,500	8,375	(875)
Insurance	2,100	1,100	2,190	(1,090)
Repairs and maintenance	4,800	4,800	4,897	(97)
Contributed to other government	500	300	300	-
Dues and subscriptions	2,100	1,668	1,734	(66)
Miscellaneous	2,000	1,200	1,242	(43)
<b>Total financial and administration</b>	<u>144,125</u>	<u>124,428</u>	<u>121,682</u>	<u>2,746</u>
<b>Buildings and grounds:</b>				
Salaries	3,000	4,400	4,408	(8)
Fringe benefits	230	340	337	3
Insurance	400	1,460	350	1,110
Utilities	8,500	8,500	8,291	209
Repairs and maintenance	7,930	8,430	8,304	126
<b>Total buildings and grounds</b>	<u>20,060</u>	<u>23,130</u>	<u>21,690</u>	<u>1,440</u>
<b>Total general government</b>	<u>188,215</u>	<u>172,938</u>	<u>164,673</u>	<u>8,264</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<b>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</b>
<b>Public safety:</b>				
Salaries	196,000	199,200	198,754	446
Fringe benefits	100,850	99,050	98,995	55
Supplies	1,300	1,200	1,011	189
Gasoline	9,000	8,600	8,535	65
Uniforms and laundry	1,200	700	362	338
Professional services	10,000	10,000	10,960	(960)
Contracted services	1,500	1,400	1,257	143
Telephone and internet services	3,336	2,936	2,662	274
Insurance	23,500	23,500	24,897	(1,397)
Repairs and maintenance	3,700	5,200	1,047	4,153
Dues and subscriptions	250	100	-	100
Education and training	1,450	1,450	879	571
Miscellaneous	1,500	500	302	198
<b>Total public safety</b>	<u>353,586</u>	<u>353,836</u>	<u>349,663</u>	<u>4,173</u>
<b>Public services:</b>				
Public lighting	33,000	30,000	33,935	(3,935)
Sanitation	74,542	73,542	72,834	708
Salaries	11,000	10,450	9,439	1,011
Fringe benefits	7,300	7,300	6,781	519
Licensing	500	500	375	125
Supplies	4,200	3,700	1,879	1,821
Materials	4,600	2,000	1,773	227
Uniforms and gloves	1,400	852	525	327
Professional services	3,000	3,000	3,785	(785)
Contracted services	2,250	1,250	1,015	234
Telephone and internet services	2,550	2,350	2,193	157
Transportation	100	100	-	100
Insurance	1,400	1,400	1,496	(96)
Utilities	3,000	3,000	2,939	61
Equipment rental	3,000	3,400	3,370	30
Miscellaneous	3,750	1,800	1,547	253
<b>Total public services</b>	<u>155,592</u>	<u>144,644</u>	<u>143,885</u>	<u>759</u>
<b>Parks and recreation:</b>				
Salaries	26,200	23,800	22,271	1,529
Fringe benefits	10,140	10,140	19,463	(9,323)
Safety equipment	300	300	-	300
Gasoline	800	800	698	102
Supplies	2,000	2,550	2,509	41
Contracted services	1,750	1,750	1,700	50
Recreation	700	700	373	327
Insurance	3,500	3,600	2,947	653
Utilities	2,350	2,750	2,819	(69)

**VILLAGE OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>Parks and recreation (continued):</b>				
Repairs and maintenance	6,600	5,600	3,739	1,861
Miscellaneous	<u>300</u>	<u>500</u>	<u>436</u>	<u>64</u>
<b>Total parks and recreation</b>	<u>54,640</u>	<u>52,490</u>	<u>56,956</u>	<u>(4,466)</u>
<b>Capital outlay</b>	<u>26,900</u>	<u>112,622</u>	<u>135,295</u>	<u>(22,673)</u>
<b>TOTAL EXPENDITURES</b>	<u>778,933</u>	<u>836,530</u>	<u>850,472</u>	<u>(13,942)</u>
<b>EXCESS OF REVENUE (UNDER) OVER EXPENDITURES</b>	<u>(44,043)</u>	<u>48,360</u>	<u>46,734</u>	<u>(1,628)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	10,850	10,850	7,273	(3,577)
Operating transfers out	<u>(58,210)</u>	<u>(59,210)</u>	<u>(58,989)</u>	<u>221</u>
<b>TOTAL OTHER FINANCING (USES)</b>	<u>(47,360)</u>	<u>(48,360)</u>	<u>(51,716)</u>	<u>(3,356)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(91,403)</u>	<u>-</u>	<u>(4,983)</u>	<u>(4,983)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>522,994</u>	<u>522,994</u>	<u>522,994</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 431,591</u>	<u>\$ 522,994</u>	<u>\$ 518,014</u>	<u>\$ (4,983)</u>



## **SUPPLEMENTAL INFORMATION**

**VILLAGE OF SEBEWAING, MICHIGAN**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2007**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>STREET</u>	<u>TOTALS MARCH 31,</u>	
				<u>2007</u>	<u>2006</u>
<b><u>ASSETS</u></b>					
Cash and deposits	\$ 17,854	\$ 3,278	\$ 182,498	\$ 203,630	\$ 130,122
Investments	5,269		77,524	82,793	83,025
Accounts receivable	18,209	7,651		25,860	26,810
Accrued interest receivable	73		188	261	265
Prepaid insurance	1,854	1,581		3,435	7,925
Due from other funds		222		222	222
<b>TOTAL ASSETS</b>	<u>\$ 43,259</u>	<u>\$ 12,732</u>	<u>\$ 260,211</u>	<u>\$ 316,202</u>	<u>\$ 248,369</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
<b><u>CURRENT LIABILITIES:</u></b>					
Due to other funds	\$ 222			\$ 222	\$ 222
<b>TOTAL LIABILITIES</b>	<u>222</u>			<u>222</u>	<u>222</u>
<b><u>FUND BALANCE:</u></b>					
Undesignated	43,037	\$ 12,732	\$ 260,211	315,980	248,147
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 43,259</u>	<u>\$ 12,732</u>	<u>\$ 260,211</u>	<u>\$ 316,202</u>	<u>\$ 248,369</u>

**VILLAGE OF SEBEWAING, MICHIGAN**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>STREET</u>	<u>TOTALS MARCH 31, 2007</u>	<u>2006</u>
<b>REVENUE:</b>					
Taxes			\$ 134,830	\$ 134,830	\$ 126,326
Intergovernmental	\$ 109,531	\$ 42,769	39,424	191,723	200,580
Miscellaneous	4,814	596	11,871	17,281	10,432
<b>TOTAL REVENUE</b>	<u>114,345</u>	<u>43,364</u>	<u>186,125</u>	<u>343,833</u>	<u>337,338</u>
<b>EXPENDITURES:</b>					
Streets	137,540	116,297		253,838	258,359
Miscellaneous			650	650	650
<b>TOTAL EXPENDITURES</b>	<u>137,540</u>	<u>116,297</u>	<u>650</u>	<u>254,488</u>	<u>259,009</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(23,196)</u>	<u>(72,934)</u>	<u>185,475</u>	<u>89,346</u>	<u>78,329</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	70,000		70,000	230,000
Operating transfers out	(14,238)	-	(77,273)	(91,512)	(323,053)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(14,238)</u>	<u>70,000</u>	<u>(77,273)</u>	<u>(21,512)</u>	<u>(93,053)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(37,435)</u>	<u>(2,934)</u>	<u>108,202</u>	<u>67,833</u>	<u>(14,724)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	80,472	15,666	152,009	248,147	262,871
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 43,037</u>	<u>\$ 12,732</u>	<u>\$ 260,211</u>	<u>\$ 315,980</u>	<u>\$ 248,147</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>REVENUE:</b>				
Intergovernmental:				
Gas and weight tax	\$ 105,875	\$ 105,875	\$ 98,359	\$ (7,516)
Metro Act Annual Fee			6,667	6,667
Build Michigan road program			3,406	3,406
MDOT grant match	53,728	53,728		(53,728)
Major snow program			35	35
Sweeping	3,000	3,000	1,065	(1,935)
Total intergovernmental	162,603	162,603	109,531	(53,072)
Miscellaneous:				
Special assessment	1,887	1,887	2,771	884
Interest income	700	700	2,043	1,343
<b>TOTAL REVENUE</b>	<u>165,190</u>	<u>165,190</u>	<u>114,345</u>	<u>(50,845)</u>
<b>EXPENDITURES:</b>				
<b>Routine maintenance:</b>				
Labor	31,000	30,650	26,698	3,952
Materials	5,000	5,000	3,407	1,593
Contracted services	19,000	19,000	15,449	3,551
Equipment rental	35,000	35,000	27,946	7,054
<b>Total routine maintenance</b>	<u>90,000</u>	<u>89,650</u>	<u>73,500</u>	<u>16,150</u>
<b>Preservation of bridge:</b>				
Equipment rental	500	500	32	468
<b>Total preservation of bridge</b>	<u>500</u>	<u>500</u>	<u>32</u>	<u>468</u>
<b>Trees:</b>				
Labor	1,000	1,100	1,086	14
Materials	150	150	-	150
Contracted services	1,000	1,100	1,089	11
Equipment rental	500	650	622	28
<b>Total trees</b>	<u>2,650</u>	<u>3,000</u>	<u>2,796</u>	<u>204</u>
<b>Traffic services:</b>				
Labor	1,000	1,000	179	821
Materials	1,000	1,000	681	319
Equipment rental	750	750	82	668
<b>Total traffic services</b>	<u>2,750</u>	<u>2,750</u>	<u>942</u>	<u>1,808</u>
<b>Winter maintenance:</b>				
Labor	8,000	7,800	7,158	641
Materials	2,500	2,300	1,851	449
Equipment rental	11,500	10,500	10,040	460
<b>Total winter maintenance</b>	<u>22,000</u>	<u>20,600</u>	<u>19,049</u>	<u>1,551</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>MDOT grant:</b>				
Labor	2,000	2,000		2,000
Engineering fees	6,000	6,000		6,000
Hike/bike path	6,000	6,000	9,400	(3,400)
Equipment rental	1,000	1,000		1,000
Contractors	60,000	60,000		60,000
MDOT grant match	53,728	53,728	-	53,728
<b>Total MDOT grant</b>	<u>128,728</u>	<u>128,728</u>	<u>9,400</u>	<u>119,328</u>
<b>Administration:</b>				
Labor	4,000	4,000	3,523	477
Fringe benefits	24,390	24,390	23,011	1,379
Professional services	750	750	750	-
Insurance	4,400	5,800	4,536	1,264
<b>Total administration</b>	<u>33,540</u>	<u>34,940</u>	<u>31,821</u>	<u>3,119</u>
<b>TOTAL EXPENDITURES</b>	<u>280,168</u>	<u>280,168</u>	<u>137,540</u>	<u>142,628</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(114,978)</u>	<u>(114,978)</u>	<u>(23,196)</u>	<u>91,782</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	120,000	120,000	-	(120,000)
Operating transfers out	-	-	(14,238)	(14,238)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>120,000</u>	<u>120,000</u>	<u>(14,238)</u>	<u>(134,238)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>5,022</u>	<u>5,022</u>	<u>(37,435)</u>	<u>(42,456)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>80,472</u>	<u>80,472</u>	<u>80,472</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 85,494</u>	<u>\$ 85,494</u>	<u>\$ 43,037</u>	<u>\$ (42,456)</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>REVENUE:</b>				
Intergovernmental:				
Gas and weight tax	\$ 41,165	\$ 41,165	\$ 41,337	\$ 172
Build Michigan road program			1,431	1,431
Miscellaneous:				
Interest income	500	500	596	96
<b>TOTAL REVENUE</b>	<u>41,665</u>	<u>41,665</u>	<u>43,364</u>	<u>1,699</u>
<b>EXPENDITURES:</b>				
<b>Routine maintenance:</b>				
Labor	30,500	31,100	30,673	427
Materials	5,500	5,500	3,430	2,070
Contracted services	20,000	23,500	18,463	5,037
Equipment rental	30,500	26,400	23,428	2,972
<b>Total routine maintenance</b>	<u>86,500</u>	<u>86,500</u>	<u>75,994</u>	<u>10,507</u>
<b>Trees:</b>				
Labor	1,000	1,000	968	32
Materials	200	200	-	200
Contracted services	1,000	1,000	715	285
Equipment rental	800	800	608	192
<b>Total trees</b>	<u>3,000</u>	<u>3,000</u>	<u>2,291</u>	<u>709</u>
<b>Traffic services:</b>				
Labor	1,000	1,000	144	856
Materials	1,000	1,000	596	404
Equipment rental	700	700	86	614
<b>Total traffic services</b>	<u>2,700</u>	<u>2,700</u>	<u>826</u>	<u>1,874</u>
<b>Winter maintenance:</b>				
Labor	5,000	5,000	3,455	1,545
Materials	500	500	340	160
Equipment rental	7,500	7,500	5,501	1,999
<b>Total winter maintenance</b>	<u>13,000</u>	<u>13,000</u>	<u>9,296</u>	<u>3,704</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>Administration:</b>				
Labor	4,000	4,000	3,535	465
Fringe benefits	20,835	20,835	20,216	619
Professional services	750	750	750	-
Insurance	<u>3,000</u>	<u>3,000</u>	<u>3,390</u>	<u>(390)</u>
<b>Total administration</b>	<u>28,585</u>	<u>28,585</u>	<u>27,891</u>	<u>694</u>
<b>TOTAL EXPENDITURES</b>	<u>133,785</u>	<u>133,785</u>	<u>116,297</u>	<u>17,487</u>
<b>EXCESS OF REVENUE (UNDER) EXPENDITURES</b>	<u>(92,120)</u>	<u>(92,120)</u>	<u>(72,934)</u>	<u>19,186</u>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in	<u>95,000</u>	<u>95,000</u>	<u>70,000</u>	<u>(25,000)</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>95,000</u>	<u>95,000</u>	<u>70,000</u>	<u>(25,000)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>2,880</u>	<u>2,880</u>	<u>(2,934)</u>	<u>(5,815)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>15,666</u>	<u>15,666</u>	<u>15,666</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 18,546</u>	<u>\$ 18,546</u>	<u>\$ 12,732</u>	<u>\$ (5,815)</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
<b>REVENUE:</b>				
Taxes:				
Current property taxes	\$ 136,000	\$ 136,000	\$ 134,830	\$ (1,170)
Intergovernmental:				
County road tax	32,400	32,400	32,765	365
State shared revenue	5,070	5,070	6,659	1,589
Miscellaneous:				
Interest on investments	4,000	4,000	11,871	7,871
<b>TOTAL REVENUE</b>	<u>177,470</u>	<u>177,470</u>	<u>186,125</u>	<u>8,655</u>
<b>EXPENDITURES:</b>				
Audit fees	650	650	650	
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>176,820</u>	<u>176,820</u>	<u>185,475</u>	<u>8,655</u>
<b>OTHER FINANCING (USES):</b>				
Operating transfers out	(225,850)	(225,850)	(77,273)	148,577
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(49,030)</u>	<u>(49,030)</u>	<u>108,202</u>	<u>157,232</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	152,009	152,009	152,009	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 102,979</u>	<u>\$ 102,979</u>	<u>\$ 260,211</u>	<u>\$ 157,232</u>



**VILLAGE OF SEBEWAING, MICHIGAN**

**SANITARY SEWER FUND**

**STATEMENT OF REVENUES AND EXPENSES**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - POSITIVE (NEGATIVE)</u>
<b>OPERATING REVENUE:</b>			
Charges for services	\$ 364,299	\$ 372,656	\$ 8,357
Intergovernmental	5,070	5,074	4
<b>TOTAL OPERATING REVENUE</b>	<u>369,369</u>	<u>377,730</u>	<u>8,361</u>
<b>OPERATING EXPENSES:</b>			
Salaries and wages	71,200	77,989	(6,789)
Employee benefits	34,700	36,554	(1,854)
Laboratory tests	4,000	2,052	1,948
Audit fees	3,400	3,400	
Legal fees	10,000	21,793	(11,793)
Printing and publishing	3,500	3,855	(355)
Insurance	4,700	4,848	(148)
Lift station expense	4,558	4,665	(107)
Maintenance and repair	104,427	89,635	14,792
Equipment rental	14,000	5,524	8,476
Miscellaneous	1,623	720	903
Depreciation	69,000	66,405	2,595
Capital outlay	2,000	-	2,000
<b>TOTAL OPERATING EXPENSES</b>	<u>327,108</u>	<u>317,441</u>	<u>9,667</u>
<b>OPERATING INCOME</b>	<u>42,261</u>	<u>60,289</u>	<u>18,028</u>
<b>NONOPERATING REVENUE:</b>			
Interest income	20,000	50,437	30,437
Miscellaneous	1,500	2,956	1,456
<b>TOTAL NONOPERATING REVENUE</b>	<u>21,500</u>	<u>53,393</u>	<u>31,893</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 63,761</u>	<u>\$ 113,682</u>	<u>\$ 49,921</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**M-25 WATER AND SEWER SYSTEM FUND**

**STATEMENT OF REVENUES AND EXPENSES**

**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - POSITIVE (NEGATIVE)</u>
<b>OPERATING REVENUE:</b>			
Charges for services	\$ 9,200	\$ 9,421	\$ 221
<b>OPERATING EXPENSES:</b>			
Depreciation	<u>8,400</u>	<u>8,397</u>	<u>3</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>8,400</u>	<u>8,397</u>	<u>3</u>
<b>OPERATING INCOME</b>	<u>800</u>	<u>1,024</u>	<u>224</u>
<b>NONOPERATING REVENUE (EXPENSES):</b>			
Interest income	500	10,390	9,890
Bond interest and fees	(18,245)	(18,321)	(76)
Amortization	<u>(1,768)</u>	<u>(1,768)</u>	<u>(1,768)</u>
<b>TOTAL NONOPERATING (EXPENSES)</b>	<u>(17,745)</u>	<u>(9,700)</u>	<u>8,046</u>
<b>(LOSS) BEFORE OTHER FINANCING SOURCES</b>	<u>(16,945)</u>	<u>(8,676)</u>	<u>8,270</u>
<b>OTHER FINANCING SOURCES:</b>			
Operating transfer in	37,000	39,256	2,256
<b>CHANGE IN NET ASSETS</b>	<u>\$ 20,055</u>	<u>\$ 30,579</u>	<u>\$ 10,524</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**INTERNAL SERVICE FUND  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - POSITIVE (NEGATIVE)</u>
<b>OPERATING REVENUE:</b>			
Charges for services	\$ 105,750	\$ 80,386	\$ (25,364)
<b>OPERATING EXPENSES:</b>			
Salaries and wages	13,600	10,468	3,132
Employee benefits	6,850	7,851	(1,001)
Operating supplies	1,500	907	593
Gas and oil	15,500	13,152	2,348
Audit fees	775	775	
Insurance	7,450	7,468	(18)
Maintenance and repair	20,000	13,815	6,185
Depreciation	38,500	55,464	(16,964)
<b>TOTAL OPERATING EXPENSES</b>	104,175	109,901	(5,726)
<b>OPERATING INCOME (LOSS)</b>	<u>1,575</u>	<u>(29,515)</u>	<u>(31,090)</u>
<b>NONOPERATING REVENUE:</b>			
Sale of fixed assets		7,343	7,343
Interest income	2,000	2,819	819
<b>TOTAL NONOPERATING REVENUE</b>	2,000	10,162	8,162
<b>CHANGE IN NET ASSETS</b>	<u>\$ 3,575</u>	<u>\$ (19,352)</u>	<u>\$ (22,929)</u>

**VILLAGE OF SEBEWAING, MICHIGAN**

**SCHEDULE OF M-25 SEWER AND WATER CONSTRUCTION BONDS  
AT MARCH 31, 2007**

MATURITY		INTEREST		
<u>DATE</u>	<u>PRINCIPAL</u>	<u>RATE</u>	<u>AMOUNT</u>	<u>TOTAL</u>
9/1/07	\$ 35,000	7.05%	\$ 8,344	\$ 43,344
3/1/08			7,110	7,110
9/1/08	40,000	7.05%	7,110	47,110
3/1/09			5,700	5,700
9/1/09	40,000	7.10%	5,700	45,700
3/1/10			4,280	4,280
9/1/10	40,000	7.10%	4,280	44,280
3/1/11			2,860	2,860
9/1/11	40,000	7.15%	2,860	42,860
3/1/12			1,430	1,430
9/1/12	40,000	7.15%	1,430	41,430
TOTALS	\$ 235,000		\$ 51,104	\$ 286,104

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Sebewaing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sebewaing, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Village of Sebewaing, Michigan's basic financial statements and have issued our report thereon dated September 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Sebewaing, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Sebewaing, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Sebewaing, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Sebewaing, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Sebewaing, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Sebewaing, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. (2007-1, 2007-2)


A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Sebewaing, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-2 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Sebewaing, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
NIETZKE & FAUPEL, P.C.  
Sebewaing, Michigan

September 4, 2007

## **VILLAGE OF SEBEWAING**

### **SCHEDULE OF FINDINGS FOR THE YEAR ENDED MARCH 31, 2007**

- 2007-1 Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. Presently, a single individual prepares and signs checks, reconciles bank accounts, performs all payroll duties as well as maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible. We recommend the Village segregate bank account reconciliation duties from cash receipts and/or cash disbursements duties.
- 2007-2 The personnel of the Village of Sebewaing have the capability to perform monthly internal accounting functions and reports as required by management. The personnel of the Village of Sebewaing do not have the internal expertise to prepare the annual financial statements and related footnotes in accordance with the method of accounting utilized in the external audit report. We believe this meets the definition of a material weakness under Statement on Auditing Standard #112.